

# CONCRETE ENGINEERING PRODUCTS BERHAD

Company No 88143-P  
(Incorporated in Malaysia)

Quarterly report on consolidated results for the second quarter ended 28 February 2017

The figures have not been audited.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### For the Second Financial Quarter Ended 28 February 2017

	2017 Current Quarter Ended 28/2/2017 (RM'000)	2016 Comparative Quarter Ended 29/2/2016 (RM'000)	2017 6 months Cumulative to date 28/2/2017 (RM'000)	2016 Comparative 6 months Cumulative to date 29/2/2016 (RM'000)
<u>Continuing Operations</u>				
Revenue	34,744	37,433	86,613	96,520
Cost of sales	(27,986)	(30,742)	(69,350)	(74,215)
Gross profit	6,758	6,691	17,263	22,305
Other income	305	597	478	828
(Decrease)/Increase in fair value of quoted investment through profit and loss	-	(871)	(3,194)	2,033
Provision for increase in fair value of investment properties through profit and loss	-	-	-	-
Administrative and other expenses	(7,893)	(7,110)	(17,512)	(15,524)
Finance cost	(867)	(863)	(1,684)	(1,701)
(Loss)/Profit before taxation	(1,697)	(1,556)	(4,649)	7,941
Taxation	-	(23)	(135)	(1,605)
(Loss)/Profit after taxation	(1,697)	(1,579)	(4,784)	6,336
<b>Other comprehensive (loss)/income for the period</b>				
Dividend paid	-	-	-	-
Total comprehensive (loss)/income for the period	(1,697)	(1,579)	(4,784)	6,336
(Loss)/Profit for the period attributable to:				
Owners of the Company	(1,697)	(1,579)	(4,784)	6,336
Minority interest	-	-	-	-
Total comprehensive (loss)/income attributable to:	(1,697)	(1,579)	(4,784)	6,336
Owners of the Company	(1,697)	(1,579)	(4,784)	6,336
Minority interest	-	-	-	-
Earnings per RM1.00 share				
Basic (based on ordinary shares - sen)	(3.79)	(3.53)	(10.68)	14.15
Fully diluted (based on ordinary shares - sen)				
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.55		2.65	

(The Condensed Consolidated Statement on Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 Aug 2016)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 28 February 2017**

	AS AT 28 Feb 2017 RM '000	AS AT 31 Aug 2016 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	36,115	35,125
Investment properties	12,103	12,103
Other investment	39,500	42,694
Trade Receivables	794	794
	<u>88,512</u>	<u>90,716</u>
<b>Current Assets</b>		
Stocks	52,062	41,955
Trade receivables	52,123	85,047
Other receivables, Deposit and Prepayments	1,447	2,179
Tax recoverable	1,866	641
GST Receivables	1,346	1,230
Deposit with licensed banks	17,710	7,014
Cash and bank balances	3,650	814
	<u>130,204</u>	<u>138,880</u>
<b>TOTAL ASSETS</b>	<u>218,716</u>	<u>229,596</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	44,775	44,775
Share premium	30,570	30,570
Retained profits	38,709	43,493
Total equity	<u>114,054</u>	<u>118,838</u>
<b>Non-current Liabilities</b>		
Bank borrowings - Long term	11,956	9,973
Deferred taxation	1,210	1,210
	<u>13,166</u>	<u>11,183</u>
<b>Current Liabilities</b>		
Trade payables	40,561	53,864
Other payables	2,741	2,595
Bank borrowings - short term	41,525	32,469
Bank overdraft	6,669	10,647
	<u>91,496</u>	<u>99,575</u>
Total Liabilities	<u>104,662</u>	<u>110,758</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>218,716</u>	<u>229,596</u>
<b>Net Assets Per Share (RM)</b>	2.55	2.65

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial period ended 28 February 2017**

	← Attributable to equity holders of the Company →				
	<u>Non-distributable</u>	<u>Distributable</u>		<u>Total reserves</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>		
RM	RM	RM			
<b><u>2nd quarter ended 28 Feb 2017</u></b>					
Balance at 1 Sep 2016	44,775,000	30,569,833	43,492,994	74,062,827	118,837,827
Total comprehensive loss	-	-	(4,783,905)	(4,783,905)	(4,783,905)
<b>Balance at 28 Feb 2017</b>	<b>44,775,000</b>	<b>30,569,833</b>	<b>38,709,089</b>	<b>69,278,922</b>	<b>114,053,922</b>

	← Attributable to equity holders of the Company →				
	<u>Non-distributable</u>	<u>Distributable</u>		<u>Total reserves</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Accumulated profits</u>		
RM	RM	RM			
<b><u>2nd quarter ended 29 Feb 2016</u></b>					
Balance at 1 Sep 2015	44,775,000	30,569,833	31,488,260	62,058,093	106,833,093
Total comprehensive Income	-	-	6,335,591	6,335,591	6,335,591
<b>Balance at 29 Feb 2016</b>	<b>44,775,000</b>	<b>30,569,833</b>	<b>37,823,851</b>	<b>68,393,684</b>	<b>113,168,684</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 28 February 2017**

	6 months ended	
	28/2/2017	29/2/2016
	<u>RM'000s</u>	<u>RM'000s</u>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(4,649)	7,941
Adjustments for:-		
Fair value through profit and loss on other investments	3,194	(2,033)
Depreciation of property, plant and equipment	1,802	2,170
Interest expenses	1,684	1,701
Interest income	(206)	(217)
Unrealised foreign exchange gain	(170)	-
Operating profit before changes in working capital	<u>1,655</u>	<u>9,562</u>
Changes in working capital:		
Net change in inventories	(10,107)	(7,172)
Net change in receivables	33,710	4,623
Net change in payables	(13,157)	(18,201)
Cash generated from/(used in) operating activities	<u>12,101</u>	<u>(11,188)</u>
Net income tax paid	(1,360)	(589)
Interest paid	(1,684)	(1,701)
Net cash flows generated from/(used in) operating activities	<u>9,057</u>	<u>(13,478)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,792)	(2,128)
Dividend received	-	-
Interest received	206	217
Placement of deposit which are pledged with a licensed bank	(20)	-
Net cash flows used in investing activities	<u>(2,606)</u>	<u>(1,911)</u>
<b>Cash flows from financing activities</b>		
Drawdown of term loan	-	-
Drawdown of term loan	1,983	2,010
Drawdown of short term borrowings	9,056	3,121
Net cash flows generated from financing activities	<u>11,039</u>	<u>5,131</u>
Net increase/(decrease) in cash and cash equivalents	17,490	(11,959)
Cash and cash equivalents at the beginning of financial period	(4,127)	12,243
Cash and cash equivalents at end of financial period	<u>13,363</u>	<u>284</u>
Cash and cash equivalent comprise the following:-		
Bank and cash balances	3,650	2,996
Deposits with licensed banks	17,710	10,721
Bank overdraft	(6,669)	(12,250)
	<u>14,691</u>	<u>1,467</u>
Deposit pledged with licensed bank	(1,328)	(1,183)
	<u>13,363</u>	<u>284</u>

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 Aug 2016)

## **A - NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO MFRS 134**

### **1. Basis of preparation**

The consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 Aug 2016.

### **2. Significant Accounting Policies**

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 Aug 2016 except for the adoption of new FRSs and amendments that are mandatory for the Group of the annual periods beginning 1 January 2017

#### ***Effective for annual periods beginning on or after 1 January 2017***

Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

#### ***Effective for annual periods beginning on or after 1 January 2018***

MFRS 2	Classification and Measurement of Share-based
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

#### ***Effective for annual periods beginning on or after 1 January 2019***

MFRS 16	Leases
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### **3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report in respect of the annual financial statement for the financial year ended 31 August 2016 was not subject to any qualification.

### **4. Seasonal or Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

### **5. Exceptional Items**

Exceptional items for current year quarter:

There were no exceptional items during the current quarter.

### **6. Changes in Estimates of Amounts Previously Reported**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that may have a material effects on the current interim period.

### **7. Issuance or Repayment of Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares by the Company for the financial period under review.

## 8. Dividends Paid

There were no dividend paid for the current quarter under review.

## 9. Segmental Reporting

The activity of the Group comprises principally the manufacturing and distribution of prestressed spun concrete piles and poles and is conducted predominantly in Malaysia.

Geographical information:

Revenue information based on geographical location of customers' country of incorporation are as follows:

	As at Current Financial Quarter Ended 28/2/2017 RM'000	As at Preceding Corresponding Financial Quarter Ended 29/2/2016 RM'000
Malaysia	29,841	31,541
Others	4,903	5,892
	<u>34,744</u>	<u>37,433</u>

## 10. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 August 2016.

## 11. Subsequent Material Events

There were no material events subsequent to the end of the period under review which require disclosure or adjustments to the quarterly financial statements.

## 12. Changes in Composition/Group

There were no material changes in the composition of the Group for the financial period under review including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring or discontinuing of operations.

## 13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at the date of issue of this report.

## 14. Review of Performance

The Group's revenue decreased by 7.2% compared to the preceding year's corresponding quarter. The decrease in sales volume is due to less deliveries to overseas projects in this quarter and slower sales.

The were no movement in the fair value of quoted investment compared with a decrease of RM0.87 Million in the preceding year's corresponding quarter which represents the change in the market price of the quoted investments.

The Group recorded a slight increase in gross profit of RM0.67 Million compared to the preceding year's corresponding quarter. The increase has been attributed to higher average selling prices from different product mix.

## 15. Comparisons with Preceding Quarter's Results

The revenue of RM34.7 million for the quarter ended 28 Feb 17 was 33% lower than registered in the preceding quarter.

## 16. Current Year Prospects

The current year prospects is dependent on our on going order book and potential orders from new projects in Malaysia and regionally. Our raw materials which comprises cement, steel bars, sand and aggregate will have an impact on our selling price and viability of the Company.

## 17. Variance from Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

## 18. Taxation

	As at end of Current Financial Period Ended 28/2/2017 RM'000	As at Preceding Financial Period Ended 29/2/2016 RM'000
<b>Malaysian Taxation</b>		
Income tax		
- Current year	135	2,140
- Prior year over provision	-	(1,193)
- Deferred tax	-	-
	<u>135</u>	<u>947</u>

The effective tax rate on the Group's profit is higher than the statutory tax rate due to certain expenses which are not tax deductible.

## 19. Corporate Proposals

There was no corporate proposal being carried out during the period under review.

## 20. Group Borrowings and Debts Securities

	As at Financial Period Ended 28/2/2017 RM'000	As at Preceding Financial Period Ended 29/2/2016 RM'000
a) <u>Long Term Borrowings:-</u>		
Term loan - secured	10,772	8,007
Hire purchase - secured	1,184	405
	<u>11,956</u>	<u>8,412</u>
<u>Short Term Borrowings:-</u>		
Term loan - secured	2,183	2,484
Revolving credit - secured	5,000	6,600
Hire purchase - secured	919	676
Bankers' Acceptance - secured	28,831	22,989
Bankers' Acceptance - unsecured	4,592	4,949
Bank overdrafts - secured	6,669	12,250
Bank overdrafts - unsecured	-	-
	<u>48,194</u>	<u>49,948</u>
TOTAL BORROWINGS	<u>60,150</u>	<u>58,360</u>

b) No borrowings in foreign currency.

## 21. Material Litigation

There is no material litigation as at the date of issuance of this quarterly report against the Group.

## 22. Proposed Dividend

The Board of Directors has not recommended any dividend for the financial quarter under review.

## 23. Earnings/(Losses) per share

The basic earnings per share is calculated by dividing the Group's profit/(loss) for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period as follows:-

	Current Year Quarter 28/2/2017	Preceding Year Corresponding Quarter 29/2/2016	Current Year To Date 28/2/2017	Preceding Year Corresponding Year To Date 29/2/2016
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(1,697)	(1,579)	(4,784)	6,336
Weighted average number of ordinary shares in issue ('000)	44,775	44,775	44,775	44,775
Basic Earnings per share (sen)	(3.79)	(3.53)	(10.68)	14.15

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter and financial period-to-date.

## 24. Realised and Unrealised Profits Disclosure

The retained profits as at 28 Feb 2017 and 31 Aug 2016 are analysed as follows:-

	As at end of Current Quarter 28/2/2017 RM'000	As at Preceding Financial Year End 31/8/2016 RM'000
The retained profits of the Company and the subsidiaries:-		
- Realised	44,752	46,342
- Unrealised	(6,043)	(2,849)
Total group retained profits as per consolidated accounts	<u>38,709</u>	<u>43,493</u>

## 25. Notes to the Statement of Comprehensive Income

Included in the statement of comprehensive income for the current quarter and financial year-to-date, are as follows:-

	Current Quarter 28/2/2017 RM'000	Current year-to-date 28/2/2017 RM'000
a) Interest income	126	206
b) Interest expense	(867)	(1,684)
c) Depreciation and amortization	(771)	(1,802)
d) Realised foreign exchange gain	245	743
e) Unrealised foreign exchange gain	28	170
f) Rental income	70	137

By Order of the Board